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GLOBALIZATION AND THE CANADIAN FOREIGN RELATIONS: AN ASSESSMENT OF IMPLICATIONS AND INTERESTS (A REPORT FROM THE FORUM 2000)

A CCFPD Policy Options Report by

George MacLean (University of Manitoba)

September 4 - 10, 2000
New York

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Policy Options Paper Prepared for the
Canadian Centre for Foreign Policy Development
and Director General of Policy Planning Secretariat
Department of Foreign Affairs and International Trade, Canada

by

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Preface

"Shaping Globalization: Convening the Community of Stakeholders," (Forum 2000) was held from September 4 - 10, 2000, in New York. Organized by the State of the World group, Forum 2000 was convened to highlight both the inadequacies of the current system of global governance and to establish a more inclusive consultative mechanism by which major stakeholders can come together to deliberate on global issues; discern common objectives; and work on common problems. The Forum was timed to coincide with the historic United Nations Millennium Summit, held September 6-8, 2000 at the United Nations, which drew over 160 Heads of State, the largest gathering of government leaders in modern history.

Forum 2000 was convened as a "global town meeting" in which the private sector and civil society came together for substantive dialogue with selected Heads of State concerning the issues brought about by globalization. The Forum included representatives of nation states, international institutions, corporations, unions, major religions, academia, science and technology and non-government organizations. Speakers included former Soviet leader Mikhail Gorbachev, Sir Sridath Ramphal, Co-Chariman of the Commission on Global Governance, Primatologist Jane Goodall, Ruud Lubbers, Chairman of World Wildlife Fund, Wally N'Dow, Secretary General of the 1997 UN World Conference on Habitat, Her Majesty Queen Noor of Jordan, Nobel Peace Prize Laureate Jose Ramos-Horta, Muhammad Yunus, Managing Director of the Grameen Bank, Former Chairman of the Joint Chiefs of Staff Colin Powell, George Soros, Chairman of the Soros Fund Management group, and many others.

My participation at the State of the World Forum was made possible by the Canadian

Centre for Foreign Policy Development and Director General of Policy Planning Secretariat at the Department of Foreign Affairs and International Trade, Canada. This report is intended to provide not just simple overview of the events during the Forum, but rather a more expansive perspective on a myriad of issues facing international relations and foreign policy in an age of globalization. To that end, the report includes discussion on a wide-ranging set of topics, including governance and globalization; globalization and developing states; strategies for developing states; socio-cultural implications; globalization and regionalism; high technology; capital mobility; productivity; and trade relations. Information on the Forum may be found at http://worldforum.org/forum2000/forum2000.html

George A. MacLean
Winnipeg, December 2000

"Globalization and Canadian Foreign Relations:
An Assessment of Implications and Interests"

by

George A. MacLean, PhD
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1. Introduction

As with previous systemic changes in the structure and process of interaction in the international system, the close of the Cold War in the early 1990s brought with it accompanying challenges regarding the face of the new order, and the manner in which we might characterize it. The sweeping implications of the end of the Cold War cannot be understated: such complete and wholesale transformations usually only appear as the result of warfare, and the toppling of one order with a new one. But in this case, the immediate re-categorization that comes with systemic war was not so forthcoming with the post-Cold War order. Indeed, for much of the 1990s, analysts, practitioners, and interested observers were content to refer to this new era simply as the "post-Cold War" era, as though a new designation would manifest itself as the new order progressed.

Increasingly, these same analysts, practitioners, and interested observers are looking at the new order with a critical view of what characterizes it, and what it stands for. Though it might be slightly premature to suggest that a new appellation has been settled upon by all involved, it can be argued that the term "globalization" has come to signify much of what marks the current international system.

This policy options paper argues that "globalization" is indeed a reasonable and

legitimate term to describe the process of change and character of this current international order. It discusses several implications of globalization, ranging from socio-cultural effects, to high technology, capital flows, production, and governance. Given the limitations and scope of this piece, it is not argued that the definitive response to the dilemmas posed by globalization are answered herein; rather, the intent of this paper is to provide something of a context for the matter of globalization.

2. Governance and Globalization

Globalization is a concept that we are no doubt familiar with, at least in term. It has indeed come to define much of what we consider as important in the current international system. But while we hear about globalization daily, there are few among us that truly understand what the term means, or what its significance is for us and others. A basic definition was given by Hans-Henrik Holm and Georg Sørenson in their 1995 book, *Whose World Order? Uneven Globalization and the End of the Cold War*, in which they defined globalization as "the intensification of economic, political, social, and cultural relations across borders."

In the broadest of terms, this may help us understand the context of globalization as a outcome, but the definition itself is a little too simple – it really tells us very little about the process of globalization. In fact, while we often consider globalization to be a force of recent inception, it is a process that has been underway since the post-WWII economic recovery of the European states, and has been driven primarily by economic interests, initially in the US, but later from all parts of the globe. It also involved several factors.

From an economic perspective, globalization involves largely corporate and financial

actors that have sought out profit opportunities by expanding their production and sales basis to the international level, linking national economies together. In addition, groups of corporations have formed strategic alliances and joint ventures that have served to integrate national markets. Furthermore, financial institutions have increasingly moved capital across national borders, engaging in lending, borrowing and investment activities at hitherto unforeseen levels. This process has been driven by market forces, but has been encouraged by governmental actions. States have progressively removed barriers to the flow of goods, services and capital between across their borders, and the process of liberalisation has thus boosted globalization.

From a different perspective, globalization as a process can be viewed through sociological and cultural lenses, particularly when we consider the matter of a "global society" and the creation and extension of global norms. The reality here is that across the globe individuals are increasingly associating themselves not only with their local or national societies, but also with communities outside their own, and often in areas where there otherwise would never be any meaningful relationship. To say that one was a "citizen of the world" used to be considered strange, but more and more it is being accepted as normal. The emergence of global norms and cultural standards is also underway, as communications become easier and faster, and people around the world exchange opinions and experiences.

The political element of globalization perhaps has the greatest implication for the the structure of the current international system. This refers to the emergence of political processes that span across national borders, and that, increasingly, circumvent them entirely. This is not merely the processes of international relations and diplomacy, which have been a part of our political reality for hundreds of years. Rather, political globalization implies that the influences

on policy-making at both national and international levels derive from many different sources, and involve actors that reach across the globe, such as non-governmental organisations, and the coupling of national governments together through common pressures.

One matter that bears mention here is how globalization affects some more than others, and how the distribution of costs and benefits is far from equal. Individuals in some areas of the globe, in particular in the advanced capitalist democracies of North America, Western Europe and Japan, are highly integrated into the process of globalization, taking advantage of high-technologies and communications to maintain contact with the rest of the world. The economies and political systems of these countries are also profoundly affected by globalization. Many developing countries, however, and in particular the rural regions of these countries, seem relatively unaffected by advances in telecommunications and the growth of the internet. The daily lives of citizens in these parts of the world are, nonetheless, affected by economic globalization, as the values of the goods they produce and consume, of their national currencies and thus of their personal wealth, are moved upwards or downwards according to the activities of global markets.

One last conceptual matter deserves attention here. It is important to note that globalization, as one may ascertain from its suffix, denotes a "process." To consider globalization an outcome, or a *fait d'accompli*, does not properly recognize the course of actions involved in globalization. To speak of this system as one in transition is justified, and also suitably accounts for the true meaning of globalization. Furthermore, globalization is not "globalism," which – also ascertained from its suffix – indicates a certain ideology. Globalism is not about the process through which a myriad of relations across and within borders are

strengthened, but rather represents a set of ideas regarding where the world ought to be, or ought to head. It is important to note that there is nothing in this understanding of globalization to suggest that globalism is inevitable.

3. Globalization and Developing States

The end of the Cold War created a certain optimism that the energies and interests of the industrialized Western states would shift from East-West affairs to "North-South" relations. Indeed, today the separation between the developed and developing world involves populations of 800 million versus 4 billion. The social and economic disparity felt by these states is truly unprecedented in world history, made more serious by the fact that easing this tension is improbable. Underdevelopment, after all, is more than just economic issue -- it is also moral, ethical, social and political. Finally, globalization creates a fundamental structural problem: there is little agreement amongst states of the North and South on the framework of future economic relations.

What makes a "developed," or a "developing" state? Generally, this is determined by "development" indices: urban population, literacy, beneficial social-economic condition, and per capita income ranging from $12000 - $21,000 per year for developed states. Developing states per capital income tend to be between $500 and $1000, or less, per year. Half of the developing world -- over 2 billion people -- has no access to clean drinking water, lacks basic shelter, and is illiterate. Eighty percent of world's wealth owned by the North. And, there is a growing gap within developing world itself with the rise in newly industrializing countries, or NICs. For example, in the mid-1960s, South Korea, Taiwan and all had Nigeria same economic growth

rate. Now, the growth rate in South Korea and Taiwan is approximately 7 percent; in Nigeria, it is 2.5 percent. The average growth rate in all of sub-Saharan Africa averages 0.3 percent; in East Asia, the average is 5.2 percent. Furthermore, this is not just economic. Life expectancy in 1960 in sub-Saharan Africa was 40, and in East Asia it was 47; today, life expectancy in sub-Saharan Africa is 51, while in East Asia, it has vaulted to 70. Literacy in 1960 in sub-Saharan Africa was 28 percent, and in East Asia it was 30 percent; today, literacy in sub-Saharan Africa is 47 percent, while in East Asia, it is now 74 percent.

4. Strategies for Developing States

The focus on development strategies for the Third World has largely involved change through institutional means. Economic conditions throughout the 1980s and 1990s led to a retreat from an earlier, more combative posture taken by developing states. This softening of the development argument came as a result of a concerted pragmatic response, rather than ideological action, and was predicated on several key developments. First, the economic slump in the 1980s was especially damaging for the Third World, resulting in negative growth in Africa, reduced export earnings, higher interest rates; and increased debt. Second, struggling international economies in the early 1980s led to an erosion of bargaining leverage in the Third World, fading oil clout (and no clout with other resources), and few incentives from the North to make concessions to the South. Third, decaying unity within the Third World umbrella organization Group of 77 (G77) led to disparate policies and responses to the developing world from the North, and debt-induced divisiveness. Fourth, increasing preference for free markets led to a loss of enthusiasm for statism. Finally, a shift in reliance to the institutional framework

of the GATT and WTO mechanisms meant that liberal trade rules provided best defence, given the rise in trade protectionism in the North.

The end of the Cold War has not brought about a renewed emphasis on development. The effects of globalization have presented some serious questions. Is underdevelopment an internal or external problem? Can we achieve shared values and norms on the structure and objectives of the international economy? Can the developing world use the pattern of the north to modernize? And, perhaps most tellingly, does the developed world north actually want to maintain current system? How can developing states manage industrialization? Is the model of the west the answer? Should developing states seek free markets, or interventionism? What is the role of government involvement for development? What is the role for international institutions such as the IBRD and IMF in the development matter? Will there be more NICs?

5. Socio-Cultural Implications

One of the strange paradoxes of globalization is its apparent reinterpretation of identity politics. Any group of persons wishing to form a society does so while at the same time – consciously or not – marking themselves off from other societies. In other words, the common need felt by everyone to identify with others brings with it the requirement to distinguish themselves from others. The paradox inherent in the identity politics of globalization is that any previous international system has at its core the understanding the separate spheres of societal organization have necessarily ordered themselves to be at odds, or at least in competition with, other groups. The process of globalization, on the other hand, too often glosses over the very real challenges placed on identity politics, and the socio-cultural implications that accompany

increased transnational relations.

It is true that globalization is most often compartmentalized into an economic interpretation, largely due to the rise of business and corporate interests alongside political authority. But this assumption – that globalization is an economic dimension of international affairs – greatly underestimates the implications felt in the socio-cultural domain. In short, as Kalb and van der Land tell us,[1] globalization is directly about a process involving a fundamental shift in the placement and locus of power. In this sense, they suggest, power has shifted from governments to markets, though the role of governments is not eliminated. The problem, they conclude, arises when we simply assume that culture may be divided from the political economy.

Instead of viewing globalization as a process that has somehow allowed for the division of culture from political economy, a more balanced observation is one that recognizes the creation of separate, and sometimes competing, social spheres.[2] These spheres, including the state, the economy, society, and culture, all represent aspects of identity politics. And furthermore, the customs, norms and attitudes that we place on relations within the political economy have a tremendous effect on the manner in which we view and value systems of interaction such as those at the heart of globalization – capital flows, production, and investment, for example.

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[1]Don Kalb and Marco van der Land, "Beyond the Mosaic: Questioning Cultural Identity in a Globalizing Age," in Kalb et al, *The Ends of Globalization: Bringing Society Back In*, (Oxford: Rowman and Littlefield, 2000), 275.

[2]This argument is made in Kalb and van der Land, 274.

Another assumption that often accompanies globalization is that the drive to create larger markets and spheres of social interaction is universal, and beneficial to all parties. In reality, the forces of globalization operate within an environment that also stresses localization; that is to say, transnational integration has also led to the increased aspiration among social units to preserve and protect their local cultures. Importantly, this is not to suggest that these two forces – globalization and localization – are necessarily antithetical, or disengaged. In fact, globalization and localization actually generate one another, as societies and cultures become increasingly vigilant about protecting their unique set of values, belief systems, and views of the world while at the same time facing the expanding weight of a globalized system of interaction.

In fact, what we have come to see in the era of globalization is a additional partition of organized societal relations. During the Cold War era – and in particular immediately following the Second World War – we witnessed rise of business and corporations as transnational actors, creating a bifurcated system of government and business. Today, it is quite legitimate to speak of three levels of interaction, each competing for allegiance and distinction, but all as part of a more aggregate. The third level, of course, is that of civil society, creating in concert with government and business what has come to be termed a "tripolar" system of interaction.[3] Although none of these levels is new, the effects of the process of globalization in all its facets – political, cultural, and economic – demonstrates the growing interplay of these three realms of conduct.

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[3]See Nicanor Perlas, *Shaping Globalization: Civil Society, Cultural Power, and Threefolding*, (Quezon City: CADI/GlobeNet 3, 2000), xx.

6. Globalization and Regionalism

The growing rate of regionalism internationally is based on several divergent developments and dynamics. Fundamentally, regionalism is based on the economic theory of "second best"; that is; since it is in reality impossible to generate global free trade, regional blocs provide nation states with an alternative option. The premise of regional economic theory suggests that the promotion of greater resource use efficiency, or, "static" efficiency, in individual states (as a result of increased inter-state competition), will ultimately lead to greater collective efficiency, or, "dynamic" efficiency.

Regional zones come in a variety of categories: free trade areas allow each member to set their own tariffs; tariff unions are effectively tariff free zones; and fully integrated economic union provide for the truly transnational movement of goods, services, people, capital. The basis to create existing blocs today varies: the European Union is largely established on institutional/ historical/cultural-normative grounds, NAFTA is primarily a geopolitical bloc, and Asia-Pacific economic integration is mainly rooted in pure economic objectives.

The overbearing question surrounding increased regionalism, of course, is whether sovereignty is at risk. Some have linked increased fragmentation of political authority to increased openness in economic activity, but this connotes a degree of forfeiture of sovereign power by member states. The benefits that arise from weakened sovereignty, it is suggested, involve national growth stimulated by regionalism.

Regionalism, however, does not necessarily denote liberalism, certainly on a global level. In fact, regionalism may be seen as a component of globalization, as it represents part of the process of transnational integration, but does not necessary mean that all states will benefit

equally. Reconciling the international institutions of the Bretton Woods era, such as the IMF and the World Bank, with regional developments is a challenge, given the oft-opposing objectives of global and regional institutions. Generally, weaker economies are not party to regional integration, and when they are, the question of "who benefits" is a serious one. Increasingly, as regional blocs such as the European Union begin to broaden their harmonized mandate to include issues such as common foreign and security polities, questions regarding the efficacy of the state as a bargaining unit are posed. In short, does the syndication that emerges from economic integration mean that blocs – rather than countries – might be better suited for external negotiation? And, related to this, how can individual states operate within bloc-type trade? In the context of the argument that regionalism is somehow more "natural" in some areas (such as North America, and Western Europe) than in others (such as between North and Latin America, for example), cultural and social effects are raised. And, in the broader debate, the question of whether regionalism and multilateralism may co-exist is an ongoing concern.

7. High Technology

As some political economists have argued,[4] the structures of interaction in the international system have changed markedly with the decline of American hegemony in the 1970s. Indeed, the end of the US gold standard in August, 1971 signalled not just an end of the American dominance – and the implicit protection -- of worldwide monetary markets, but also the rise of other sectors of relative power. The dependence on military domination, for example,

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[4]See Susan Strange, States and markets, (London : Pinter, 1988).

has been seriously affected by the rise of other sectors of global interaction, and the corresponding rise of international interdependence of world markets. Now, it is clearly possible to discern national power not only in the sphere of military might (thought this is still indisputably a primary sector of interaction), but also in the arenas of national production, monetary stability, and in the innovative sector.

Of these structures of relative power, production and capital are fairly self-evident as domains of strength for states. But the area of innovation is one that is only growing in its understanding. Innovation is about the base in knowledge industries, and high technology, within national states. Increasingly, industrial states are in the process of moving to a "post-industrial" era of limited heavy production, increasing transnational activity, and greater emphasis on home-base research and development in high technology industries.

Two authors stand out in this debate. Former US Secretary of Labor Robert Reich has suggested[5] that the industrial world has benefited from globalization by moving high-cost, low-technology production to developing states, and retaining high-technology, low cost research and development, or innovative, industries at home. This has resulted in a number of important developments. First, it has meant that labour has become increasingly bifurcated in industrial nations in Europe, Asia, and North America as more expensive high-production jobs that are linked to mature industries[6] (such as in the automotive sector, and in factory manufacturing) have

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[5]See Robert B. Reich, The World of Nations, (New York: Vintage, 1992).

[6]"Mature industries" are part of the product cycle theory, which explains the development of production as connected to the life of the product itself: innovation; maturation; and standardization. Once products reach the "standardization" phase, they are fully "mature" and efforts to protect them and the technologies behind them are attenuated.

moved to states where labour and benefit remuneration is lower. Aside from the problems faced with labour dislocation, the other significant concern here has to do with the ability of developing states to "catch up" to the developed world. Globalization has facilitated a new revolution in production and innovation – the transnationalization of labour and technology. As industrialized states become increasingly dependent on high-technology and less on production, developing states will become polarized into quasi-developed states with a great emphasis on production (such as Malaysia, Thailand, Brazil, and Mexico), and peripheralized states, mostly in the poorest regions, that do not benefit from labour movements.

On a related note, Laura D'Andrea Tyson has argued[7] that the rise in high-technology has had significant effects for some time on national economies. She, and others, have argued that globalization in strategic industries such as semi-conductor, telecommunications, and supercomputers has already created a divided world, with some political authorities adequately dealing with developments, and others in peril. In short, this argument suggests that the transnational forces behind high-technology have led to a system where national governments really have little control over the sector. The clarion call here has been for tighter national regulations, and increased emphasis on multilateral rules governing investment and high technology.

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[7]See Laura D'Andrea Tyson, Who's Bashing Whom? Trade Conflict in High-Technolohy Industries, (Washington: Institute for International Economics, 1992).

8. Capital Mobility

Mobility of capital is very much linked to matters relating to high technology. The growth of "post-industrial" economic development really came to the fore in the 1970s and 1980s as international controls over investment and capital loosened. The strange paradox that international economies operate within today is that the primary modes of state interaction – trade, commerce, production, debt, monetary controls, investment, tariffs, and the like – are only regulated to varying degrees. Whereas trade and tariffs come under significant controls within the World Trade Organization (WTO) rubric, more deep-seated forms of economic interaction such as capital flows and investment have either lost the regulatory oversights that once were in place, or have never genuinely been managed in the first place.

The end of the American-led gold standard of currency stabilization in 1971 led to immediate repercussions for monetary units world wide. The end of firm exchange rates gave way to a partial fixed system without the institutional oversight that once came under the auspices of the International Monetary Fund (IMF). Consequently, the rise in high-technology sectors, coupled with the new awareness about the international division of labour (that is, the understanding that cheap labour could provide benefits in mature industries), led to increasing rates of international investment almost immediately following the demise of the gold standard in the early 1970s. This has resulted in a parallel rise in multi-national firms and activities.

As an effect, capital mobility in the form of portfolio investment (stocks, bonds, treasury bills, etc.) has become the single largest form of global economic interaction today. Currently, for every unit value of actual goods and services traded among nations on a daily basis, there are

several times that amount traded in currency and capital trade, meaning that a good portion of capital mobility today is not actually based on real goods or services trade.[8]

Production and technology are basics structures in the global economy. The rise in foreign direct investment[9] (FDI) is a function of the transnational engagement of international actors in directly productive activities. Increasingly, FDI is viewed as "tool of statecraft" as this form of economic interaction moves from commercial (import-export) trade to foreign and "portfolio investment" (currency flows: stocks, bonds, bank lending). With its growth since early 1970s, FDI is now largest form of economic interaction, taking place mostly in the developed world, yet with massive growth and implications for the Third World.

9. Productivity

All of this begs the question: is the national economy meaningless? In the 1950s, there were over 500 "core corporations" in the United States, which, as a group, acted as corporate "statesmen," representative of *the* American economy. Corporations were then shaped as a pyramid – hierarchical, centralized, and national. Alternatively, today, these actors, largely multinational corporations (MNCs), are shaped more like a web – vertical, decentralized, and global.

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[8]There has been a discernable shift from trade in goods and services to investment. Before the mid-1970s, trade outweighed investment; today, capital trade totals US$1 trillion each day, while trade in goods and services totals US$20 billion each day.

[9]FDI involves a majority ownership of subsidiaries where there is control over production and sales (between 30 -100 percent of ownership).

MNCs are, according to the United Nations Department of Economic and Social Affairs, enterprises that control assets – factories, mines, sales offices, etc. – in two or more countries. The United Nations estimated in the early 1990s that MNCs totaled 35,000 world-wide, with 147,000 foreign affiliates. MNCs have advantages over national corporations in their ability to benefit from economies of scale, increased innovation, internalization, access to more varied and cheaper sources of capital as well as lower effective tax rates.

The success of MNCs has been attributed to several factors. Most directly, having operations in foreign nations allows non-states actors such as MNCs to avoid tariff barriers and non-tariff barriers[10] through direct activities and investment in foreign countries. As well, there are some important locational and transactional advantages that come with operations abroad, as non-state actors in a globalizing environment seek access to technology and (sometimes intangible) innovation. In addition, MNCs have been able to pursue "strategic alliances" involving arrangements between two or more independent firms. These alliances entail ongoing and continuous relationships, which could include production, marketing, and/or research and development, in which the sharing and transfer of information, products, and even production occur.

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[10]NTBs are part of larger phenomena of protectionism and trade restrictions that came about after about after the decline of US currency fungibility, decline of US competitiveness, and the rise of other trading powers. NTBs include: voluntary restraint arrangements (VRA), which "restrain" involvement in other economies regarding the amount of goods involved; voluntary export restrictions (VER), which "restrain" particular items; and orderly marketing arrangements (OMA), which attempt to bring in all countries in long term program of targeted trade.

The success of MNCs has been directly affected by the move to post-Fordist production, permitting greater flexibility, fungibility, and gains for transnational actors. In part, this form of production allows for the development of a variety of products versus uniform production. Traditional production, or Fordism, based on developments in the early twentieth century by American automaker Henry Ford, involved a system of mass production of standardized goods employing semi-skilled workers using specialized equipment. Technological development tended to be linear and incremental. On the other hand, post-Fordism involves branch production of a variety of products, the use of flexible machinery, a physical reorganization of the factory to reduce inventories and defects, a decentralization of decision-making to floor workers, and the application of microelectronics to product and process design and to production machinery. In sum, post–Fordism represents changes in production, heightening globalization, contention for innovation, and a fundamentally different role for, and control by, national states. This different role is characterized by reduced control over capital regulation, more autonomous labour markets,

increased market access to more -- and more divergent types of -- actors, the rise of the viability of international organizations and MNCs, and a degree of loss of state power in terms of policy making.

Globalization has yielded an expanded role for MNCs in the decision-making process in states. Aside from direct political influence within a country, MNCs also maintain indirect political influence, through the behaviour of an external power or organization. This has implications for national governments, since their negotiating position may be weakened if an MNC has many alternate countries to choose between when making its investments.

Alternatively, if MNCs are competing to invest, than the bargaining position of a national government can be strengthened. There is no easy answer to the question whether, in an age of globalization, MNCs are "good" for less developed countries. In part, the answer to this question lies in where the products and revenue go.

10. Trade Relations

In an age of globalization, economic resources are part of what a state can use as part of its foreign policy towards other states. In this regard, a state's techniques depend on its influence and resources, and is also constrained by activities of others. Trade, like other forms of economic interaction, is affected by power in the international system, which is asymmetrical. What's crucial here is the method of measurement involves tracing the sensitivity a state has toward another's decisions; and ultimately the vulnerability in which these decisions place that state.

After the primary national state objectives of security, prestige, and autonomy are met, trade is surely the most important "welfare" goal of states. Trade permits commercial opportunities and economic relations with other states, representing the most effective way to increase a state's well being. Trade, in short, is the most crucial avenue through which states may improve their personal and collective welfare, since it is key to remember that states are not autarkic, and require relations with one another; few, if any at all can be truly self-sufficient. This is certainly more the case in the context of globalization. As economics become more influential in the international system, the matter of influence and vulnerabilities of trading states is element. In terms of economic power, this is where the relative capability issue is played out -- who is really at risk when it comes to the possible disruption of transactions. Fundamentally,

strength in trade resides in relative capability: how much of a state's entire economic activity relies on trade, and also, whether it has balanced its imports and exports. Though a primary mode of interaction for states, trade is not as important as security, innovation, security and production, because altering these can change a states relative position, and also takes systemic action.

The most important development in international trade as a result of globalization has been the creation of the World Trade Organization (WTO). The WTO is different than the General Agreement on Tariffs and Trade, which was only intended to be a temporary arrangement after the failure of the International Trade Organization. The 1947 GATT was not an international organization like IMF or the World Bank, and could not act on its own; rather, it was intended to be a process for negotiation rather than rules and institutions, permitting a more open international trading system. The norms of the GATT – most-favoured nation status (MFN); reciprocity in tariff reductions; loopholes for emergencies (balance of payment; market disruptions); reductions for LDCs; and national treatment – were picked up in the more authoritative WTO. The WTO, established in 1994, established a tribunal system with enforcement mechanisms and dispute settlement; improved national trade policy surveillance and consultation; and a broadened jurisdiction, especially regarding domestic policies.

Globalization has facilitated increased trading relations world-wide. Despite a rise in trade protectionism, trade has expanded, due to technological expansion, increased consumer markets, choice and demand, increased benefits from international interaction for firms, and a reduction of costs through increased trade. Culturally, competing arguments suggest that globalized trade is beneficial, due to rising contact and the diffusion of ideas; on the other hand, others hold that globalization has negative implications as trade is disruptive of traditional views. The question of trade and peace is framed by the arguments that trade either increases positive

bonds, or alternatively allows for increased vulnerability. In terms of ideology, the notion that globalization has yielded greater comparative advantage – the notion that countries ought to be organized according to their relative efficiencies -- has been offset by the fact that national economies are bound by loyalties and power in a competitive system.

In sum, while trade protectionism is up, so is the ratio of foreign trade to GDP. Like other forms of interaction – military and economic -- trade is asymmetrical. States are not equal in terms of their economic strength, due to a result of a myriad of reasons: natural resources, geopolitics, alliances and trade relations, governmental system, human and social services, business, and MNC involvement, to name a few.

11. Conclusion

Since its publication, Francis Fukuyamas's "end of history" thesis[11] has been widely discounted as premature or short-sighted. But Fukuyama's argument – that ideology had reached its culmination in liberal democracy and that true challengers simply did not exist – has an interesting function in our deliberation about the course of globalization, and its effects on national states. Globalization, after all, has been fuelled in large part by the liberal composition of the international system, put in place after the Second World War. The increasing rate of transnational economic, political, and socio-cultural relations across borders has been in fact facilitated by the regimes created during this era.

Fukuyama has been criticized for his sanguine attitudes about liberalization, and his apparent lack of attention to competing ideologies that still exist in the post-Cold War

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[11]See Francis Fukuyama, The End of History and the Last Man, (New York: Free Press, 1992).

environment. However, stripped of its pretensions about ideological superiority, the "end of history" may have some merit for our broader understanding of the process and trajectory of change today. Globalization, after all, is not globalism, and is therefore not an independent ideology (though it may be heavily ideologically infused), but rather a process of change. Although Fukuyama may not be correct about the apparent "end" of ideological history, it is instructive to use the twentieth century emphasis on liberal ideology as one of the causal factors for the process of globalization that exists today.

Changes in economic, political, and social exchange have exerted a profound impact both on the balance of social and political forces globally and on the ordering of social life within communities. Globalization presents a series of challenges for global society. The increasing interdependence of states begs the question of at what point intervention might be considered or permitted, and at what cause. Furthermore, in an absence of a truly integrated global system, coupled with the rise of regional arrangements, the persisting question about normative behaviour is problematic, leaving unanswered questions about the intent and objective of a new system bent on a process of deepening and increasingly transnational relations.